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Message Text

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PAGE 01 NEW DE 10825 141535Z

51
ACTION NEA-12

INFO OCT-01 ISO-00 AID-20 CIAE-00 EB-11 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

H-03 PRS-01 INT-08 DRC-01 /140 W
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R 141500Z SEP 73
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 6793
INFO USDOC WASHDC

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STATE FOR NEA/INS; BUMINES FOR PETKOF AND NAHAI

E.O. 11652: N/A
TAGS: EIND, EMIN
SUBJ: INDIAN MICA EXPORTS TO US

SUMMARY: EMBASSY HAS RECEIVED CABLE FROM US MICA INDUSTRY ASSOCIATION STATING THAT GOI HAS SUSPENDED ALL MICA EXPORTS TO US. ACCORDING TO ASSOCIATION, GOI ATTEMTPING TO FORCE US BUYERS TO ACCEPT PARTIAL CANALIZATION OF MICA EXPORTS THROUGH GOI OWNED MINERALS AND METALS TRADING CORPORATION (MMTC). COMMERCE MINISTRY AND MMTC OFFICIALS CONFIRMED THAT EXPORTS HALTED PENDING US BUYER ACCEPTANCE OF CANALIZATION PROPOSAL. MOTIVES FOR CANALIZATION ARE TO BRING SMALLER PRODUCERS INTO EXPORT MARKET AND TO INCREASE LEVEL OF MICA EXPORTS. GOI PLANS TO SEND MISSION TO US TO ASSURE BUYERS OF QUALITY OF MMTC SHIPMENTS. IN ANTICIPATION OF REACHING AGREEMENT WITH MICA ASSOCIATIONW, GOI HAS JUST RELEASED TWO SHIPMENTS. ACTION RE-QUESTED: PLEASE PASS SUBSTANCE THIS CABLE TO MICA ASSOCIATION. END SUMMARY

1. EMBASSY RECEIVED FOLLOWING CABLE SEPTEMBER 13 FROM US
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MICA INDUSTRY ASSOCIATION:

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"TO AMBASSADOR DANIEL P MOYNIHAN, US EMBASSY, NEW
DELHI: MINERALS AND METALS TRADING CORP OF
INDIA HAS STOPPED ALL SHIPMENTS OF MICA TO THE UNITED
STATES SINCE AUGUST 1, 1973. THEY WILL NOT RELEASE
MICA UNLESS WE AGREE TO ACCEPT 70 PERCENT OF THE
SHIPMENT FROM OUR EXPORTERS. REMAINING 30 PERCENT
MUST BE PROCURED FROM MINERALS AND METALS TRADING
CORPORATION. OUR MEMBERS CANNOT ACCEPT THESE TERMS
BECAUSE WE HAVE NO ASSURANCE OF QUALITY AND WE MUST
PAY 100 PERCENT AT TIME MICA IS LOADED ON BOARD SHIP.
UNLESS THIS SITUATION IS CLEARED UP SOON, COMPANIES
SUCH AS GENERAL ELECTRIC, 3M, WESTINGHOUSE, ESSEX
INTERNATIONAL, AND MANY MORE WILL BE FORCED TO LAY OFF
THOUSANDS OF WORKERS AS HAS ALREADY HAPPENED TO THE
MICA INDUSTRY IN INDIA. WE HAVE WRITTEN Y. SHAH,
SECRETARY OF THE MINISTRY OF COMMERCE, SEPTEMBER 4,
DETAILS OF THIS PROBLEM AND REQUESTED ASSISTANCE FROM
HIS OFFICE. WE RESPECTFULLY REQUEST THAT YOU USE YOUR
GOOD OFFICES TO ASSIST IN ALLEVIATING THIS HARDSHIP. PLEASE
ADVISE US BY CABLE OF ACTION TAKEN BY YOU TO EXPEDITE.
CABLE ANSWER POLUMICA, HARTFORD, CONNECTICUT.
SIGNED JAMES MARSHALL, PRESIDENT, MICA INDUSTRY
ASSOCIATION, 34 ARBOR STREET, HARTFORD, CONNECTICUT."

2. EMBOFFS MET SEPTEMBER 14 WITH B.D. KUMAR, JOINT SECRETARY
OF COMMERCE AND C.R. DAS OF GOI-OWNED MINERALS AND METALS
TRADING CORPORATION (MMTC), SHOWED THEM ABOVE CABLE AND ASKED
FOR BACKGROUND/EXPLANATION.

3. DAS CONFIRMED THAT MMTC, WITH COMMERCE MINISTRY
APPROVAL, HAD HALTED MICA EXPORTS TO THE US EFFECTIVE
AUGUST PENDING ACCEPTANCE BY US IMPORTERS OF 70/30 PROPOSAL.
HE CLAIMS POLICY OF PARTIAL CANALIZATION THROUGH MMTC HAS BEEN
IN EFFECT SINCE JANUARY 1, 1973, AND "HAS BEEN ACCEPTED BY ALL
OF INDIA'S OTHER MICA TRADING PARTNERS."

4. KUMAR EXPLAINED THAT GOI HAD TAKEN THIS STEP SO THAT
SMALL MICA PRODUCERS, WHO FORMERLY WERE FORCED TO SELL TO
LARGE ESTABLISHED EXPORT HOUSES AT DISADVANTAGEOUS PRICES,
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WOULD EARN MORE BY HAVING MMTC ACT AS AGENT. HE ADDED THAT
TRADITIONAL TRADERS HAD NOT WORKED HARD ENOUGH TO EXPAND
INDIAN MICA EXPORTS. GOI BELIEVES THAT MMTC'S PARTICIPATION
IN MICA TRADE WILL ASSIST IN OPENING OF NEW
MARKETS. KUMAR STRESSED THAT GOI DID NOT WISH TO DISRUPT
EXISTING TRADE IN ACHIEVING THESE GOALS.

5. IN RESPONSE TO OUR QUESTION ABOUT US CONSUMERS' CONCERN

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OVER QUALITY OF MMTC SHIPMENTS, DAS SAID GOI PLANNED TO SEND MISSION TO THE US IN OCTOBER TO MEET WITH BUYERS AND MAJOR END USERS. THE TEAM IS TO INCLUDE MMTC AND COMMERCE OFFICIALS AND REPRESENTATIVES OF ESTABLISHED EXPORTERS. HE SAID THAT QUALITY CONTROL OF MMTC EXPORTS "WOULD BE EVEN MORE RIGOROUS THAN IN THE CASE OF EXISTING PRIVATE CONTRACTS." DAS SAW NO REASON WHY AN END USER SUCH AS WESTINGHOUSE WOULD NOT BE WILLING TO BUY MICA FROM NON-TRADITIONAL SUPPLIER.

6. DAS TOLD US THAT, IN ANTICIPATION OF REACHING SATISFACTORY AGREEMENT WITH US BUYERS, GOI HAD JUST RELEASED TWO 50-TON SHIPMENTS FOR EXPORT AND WAS PLANNING TO RELEASE ANOTHER 50-TON SHIPMENT WITHIN A FEW DAYS. WE AGAIN STRESSED THAT STRONG PERSON-TO-PERSON ASSURANCES FROM MMTC WILL BE NECESSARY IN ORDER TO GAIN US ACCEPTANCE OF NEW FORMULA. KUMAR SAID HE WILL CONTACT INDIAN EMBASSY AND CONSULATES IN US TO ASK THEM TO INSURE THAT VISITING TEAM HAS MAXIMUM EXPOSURE TO US BUYERS.

7. PLEASE PASS FOREGOING TO MICA INDUSTRY ASSOCIATION.

8. COMMENT: TO POINT OUT TO GOI THAT IT IS CUTTING OFF NOSE TO SPITE FACE IS USELESS. WE ARE WITNESSING CLASSIC INDIAN GAMBIT OF DOING SOMETHING OUTRAGEOUS, E.I. SHUTTING OFF ALL SHIPMENTS AND THEN BACKING OFF TO COMPROMISE POSITION (PERMITTING INTERIM SHIPMENTS) IN ATTEMPT TO GET US FIRMS TO ACCEPT NEW SCHEME. CURRENT 70-30 FORMULA IS IN ITSELF COMPROMISE FROM EARLIER GOI ATTEMPT TO D
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 14 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE10825
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730934/aaaaaysr.tel
Line Count: 137
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags: ANOMALY
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by martinml>; APPROVED <10-Jan-2002 by morefirh>
Review Markings:

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Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIAN MICA EXPORTS TO US SUMMARY: EMBASSY HAS RECEIVED CABLE FROM US MICA INDUSTRY
TAGS: EIND, EMIN, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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